



FISCAL MEMORANDUM

HB 1658 - SB 1805

March 7, 2022

SUMMARY OF BILL AS AMENDED (014964): Authorizes members of the Tennessee Consolidated Retirement Service (TCRS) who are either emergency medical services employees, state or local law enforcement personnel, or firefighters, and reach 25 years or more of consecutive service, to obtain a COVID-19 essential employee service credit for one bonus hour of creditable service for each hour of creditable service worked at the member's worksite from March 12, 2020 to April 27, 2021. Requires the total essential employee service credit hours to not exceed three years.

ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

Increase State Expenditures – \$32,912,200/FY22-23

Increase Federal Expenditures – \$10,970,700/FY22-23

**Increase Local Expenditures – Up to \$40,944,000/FY22-23/Permissive
Up to \$565,634,400/FY23-24/Permissive**

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$650,461,300.

Assumptions for the bill as amended:

- Based on information from the Tennessee Consolidated Retirement System (TCRS), the total increase of liability to the pension system relative to eligible state employees is estimated to be \$43,882,894.
- Based on information provided by TCRS, the cost for state employees is to be paid during FY22-23.
- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds.
- The one-time increase in state expenditures in FY22-23 for state employees is estimated to be \$32,912,171 ($\$43,882,894 \times 75\%$).
- The one-time increase in federal expenditures in FY22-23 for state employees is estimated to be \$10,970,724 ($\$43,882,894 \times 25\%$).
- Local governments may choose to adopt a resolution authorizing such additional benefits for local government employees.

- Any permissive increase in local government expenditures for the additional liability is dependent on the number of local governments adopting such resolution and the number of applicable employees within those local governments.
- The permissive increase in local government expenditures would be funded 100 percent by local government and the precise amount cannot be reasonably determined.
- Based on information from TCRS, the total increase of liability to local pension systems relative to eligible local employees is estimated to be \$606,578,448.
- The cost for local employees by local employers will be funded over a two-year period (FY22-23 and FY23-24).
- Based on time-value-of-money calculations using a 20-year amortization and a 6.75 percent interest rate for estimating the FY22-23 impact relative to eligible local employees, the first-year permissive increase in local expenditures is estimated to be up to \$40,944,045.
- The remaining permissive increase in local expenditures to be paid in FY23-24 is estimated to be up to \$565,634,403 (\$606,578,448 - \$40,944,045).

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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